

This booklet contains:

[FTB 2427](#), Worldwide Affiliation Schedule

[FTB 3508](#), Application for Extension of Time to File the Worldwide Affiliation Schedule

Members of the
Franchise Tax Board

Gray Davis, Chairman
Brad Sherman, Member
Russell Gould, Member



State of California
Franchise Tax Board

1994 Instructions for Filing Form FTB 2427

Worldwide Affiliation Schedule

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1993** and to the California Revenue and Taxation Code (R&TC).

A General Information

R&TC Section 18634 requires that certain banks and corporations file an information return, providing a list of all affiliated banks and corporations. The information return, form FTB 2427, Worldwide Affiliation Schedule, will be sufficient if it includes: a) all entities whose stock is owned directly by the ultimate parent bank or corporation (ultimate parent); b) all entities that filed federal income tax returns, regardless of whether the ultimate parent directly owns their stock; and c) with respect to all other affiliated entities owned, the location of the operations and the affiliate(s) within the group that owns their shares.

Banks or corporations are **affiliated** if more than 20 percent of the voting stock of one is directly or indirectly owned or controlled by the ultimate parent of the group in which the California taxpayer is an affiliate. Ownership is determined on the last day of the taxpayer's income year.

The ultimate parent of the group is the top tier company that directly or indirectly owns or controls more than 50 percent of the stock of the taxpayer. The ultimate parent need not be unitary with the taxpayer.

B Purpose of Form

Use form FTB 2427 to provide the Franchise Tax Board (FTB) with a list of affiliated banks and corporations to facilitate audit inquiries regarding unitary relationships and transactions with affiliates.

C Filing Requirement

The requirement to file form FTB 2427 is imposed on any taxpayer and its related entities (collectively) that have total worldwide assets in excess of \$200,000,000.

Taxpayers that have elected to file a combined unitary group single return may also file a combined unitary group single worldwide affiliation schedule.

D De Minimis Rule

For any income year that a taxpayer's property, payroll and sales within the U.S. are each less than \$500,000, the taxpayer is not required to file form FTB 2427 for that year. The De Minimis Rule applies separately to each taxpayer on a year by year basis.

The taxpayer should notify the FTB in writing that it does not have a form FTB 2427 filing requirement for each income year that the application of the De Minimis Rule applies. **Attach the notification to Form 100, Corporation Franchise or Income Tax Return for that income year.**

E When to File

Form FTB 2427 must be filed within six months after the due date, including extensions, of the taxpayer's California tax return.

F Frequency of Filing

Form FTB 2427 must normally be filed once every three income years. The initial filing is made for the first income year beginning on or after 1/1/94 that the taxpayer meets the filing requirements.

If there is a substantial change in the taxpayer's business activities, form FTB 2427 must be filed for the income year in which the change occurs, even if it is less than three income years after the most recent filing, provided the minimum filing requirements are met. A statement should be attached to form FTB 2427 indicating the filing is due to a substantial change in business activity.

A substantial change in business activity occurs when the denominator of any of the three apportionment factors of property, payroll and sales for the unitary group is more than twice, or less than half, the amount of the comparable factor in the most recent year for which a form FTB 2427 was filed.

If the taxpayer does not meet the filing requirements in the first income year, then the initial filing is made for the first income year in which the taxpayer meets the filing requirements.

Form FTB 2427 will not be required if a Domestic Disclosure Spreadsheet, (Spreadsheet), as required by R&TC 25401d, was filed for any of the two income years immediately preceding the income year beginning on or after 1/1/94, unless there is a substantial change in the taxpayer's business activities. The form FTB 2427 filing requirement for the following third income year would then be determined by reference to the income year for which the last Spreadsheet was filed by the taxpayer.

For example, if a taxpayer filed a Spreadsheet for income year ending 12/31/93, then form FTB 2427 would be due for the income year ending 12/31/96, assuming there are no short period return filings. For more information, get FTB Notice 93-7.

G Extension

The taxpayer may request an extension of time, not to exceed four months, to file form FTB 2427. The extension request must be mailed no later than the due date of form FTB 2427 and must set forth the reason(s) for the request and the period of time requested. See form FTB 3508, Application for Extension of Time to File the Worldwide Affiliation Schedule, for more information.

H Where to File

Mail the completed form FTB 2427 to:

**Franchise Tax Board
P.O. Box 942857
Sacramento, CA 94257-0500**

I Substitute Forms

Any substitute or computer-produced version of form FTB 2427 must be approved by the FTB. Get FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable and Reproduced Tax Forms, for more information.

J Penalty

Any taxpayer that meets the filing requirements, but willfully fails to file or substantially complete form FTB 2427, is subject to the penalty imposed by R&TC Section 19141.6(c).

General Instructions

Purpose of Form

Use form FTB 2427 to provide a list of all affiliates of the California combined report group regardless of whether or not the affiliate(s) is:

- a California taxpayer;
- unitary with a California taxpayer; or
- a U.S. or foreign entity.

Form FTB 2427 lists all **affiliated** banks or corporations. It will be considered complete if it includes the following information:

1. Part I

- a. All affiliates whose stock is owned directly more than 20 percent by the ultimate parent; and
- b. All affiliates whose stock is 20 percent directly or indirectly held by the same interest that filed federal income tax returns, regardless of whether the ultimate parent directly owns their stock.

2. **Part II** — A summary list of all other affiliated entities whose stock is 20 percent directly or indirectly held by the same interest.

3. **Part III** — A list of unitary taxpayers making an election to file a combined unitary group single Worldwide Affiliation Schedule.

Specific Instructions

Part I

The following descriptions correspond to the columns on form FTB 2427, Part I:

Column (a) — A designated number must be assigned to each entity. The ultimate parent is assigned "number 1" with the other banks or corporations numbered in consecutive order. The designated number may be used to refer to that bank or corporation in Part II.

Column (b) — Enter the name and address of each bank or corporation. Be sure to enter the name and address of the ultimate parent first.

Column (c) — Enter the California corporation number, if any.

Column (d) — Enter the Federal Employer Identification Number (FEIN), if any.

Column (e) — Enter one of the following codes:

Code A — 80/20: For California purposes, an 80/20 corporation is a U.S. bank or corporation that conducts more than 80 percent of its ACTIVITY in foreign countries as measured by the location of its PROPERTY, PAYROLL and SALES;

Note: For California purposes, "80/20" is NOT the same as the federal definition of an 80/20 corporation. For federal purposes, an 80/20 corporation derives more than 80 percent of its INCOME from sources outside the U.S. Income as measured by the federal sourcing rules in IRC Sections 861-865.

Code B — DISC: "Domestic International Sales Corporations" as defined in IRC Section 992(a);

Code C — Possessions Corporation: A U.S. bank or corporation that makes an election under IRC Section 936 for federal tax purposes;

Code D — Domestic: A bank or corporation incorporated within the U.S. or the District of Columbia which does not fall into any of the categories under Code A, B or C;

Code E — FSC: "Foreign Sales Corporation" as defined in IRC Section 922; or

Code F — Foreign: A bank or corporation incorporated outside the U.S. or the District of Columbia which does not fall into the category under Code E.

Column (f) — Enter the country where the bank's or corporation's principal business activities are conducted.

Column (g) — Enter the principal business activity code. See the "Business Activity Code Chart" in the instructions for Form 100, Corporation Franchise or Income Tax Return.

Column (h) — Enter the percent of total voting stock owned by the group.

Column (i) — Enter the designated number(s) from column (a) of the affiliated bank(s) or corporation(s) that own(s) the voting stock.

This form must be signed, under penalty of perjury, by an authorized officer of the key bank or corporation, or by the paid preparer, whichever applies.

Part II

Column (a) — Enter the name or designated number(s) from Part I, column (a), of the bank or corporation that owns, directly or indirectly, more than 20 percent of the stock of any other affiliated entity not listed on Part I.

Column (b) — Enter the total number of affiliates more than 20 percent owned directly or indirectly by the entity listed in column (a).

Column (c) — Enter the country(ies) of operation for each affiliate summarized in column (b).

Part III

If taxpayers have elected to file a combined unitary group single return and are electing to file a combined unitary group single form FTB 2427, complete Part III. Enter the names and California corporation number of all unitary taxpayers making an election.

If a unitary group of taxpayers elects to file a single Worldwide Affiliation Schedule provided in Part III, the key corporation must be a taxpayer and, where applicable, be the parent corporation. If a unitary group of taxpayers elects to file a single Form 100 using Schedule R-7 of Schedule R, the key corporation designated in Part III of this form should be the same as the key corporation for purposes of the group return.

[illegible]FTB 2427 C1 1994 **Side 3**

[illegible]

Side 4 FTB 2427 C1 1994

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Application for Extension of Time to File the Worldwide Affiliation Schedule

3508

Note: File a copy of this form with the Franchise Tax Board (FTB) at the address shown in the instructions. **The FTB will notify you only if the extension is denied or the extension date is revised.**

California corporation number

Federal employer identification number

**Do Not Write
In This Space**

Corporation name

Address

City or town, state and ZIP code

1 An extension of time until

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, is hereby requested to file form FTB 2427, Worldwide Affiliation Schedule, of the taxpayer named above for the income year beginning

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, and ending

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2 State in detail the reason(s) the extension of time to file form FTB 2427 is needed (see form FTB 3508 instruction D).

Signature

Under penalties of perjury, I declare that I am authorized to make this application for the above named taxpayer, and that to the best of my knowledge and belief, the statements made herein are true, correct and complete.



(SIGNATURE OF OFFICER OR AGENT)

(TITLE)

(DATE)

The FTB will complete this section if the extension is denied or the extension date is revised.

Your application for extension of time to file form FTB 2427, Worldwide Affiliation Schedule, has been DENIED because:

- ☐ Your application was not postmarked on or before the original due date of the Worldwide Affiliation Schedule.
- ☐ Our records show this corporation is suspended or forfeited; therefore, it does not qualify for an extension.
- ☐ No extension beyond 4 months may be granted. Your extension to four months from the due date of the return has been approved.
- ☐ Other (explain) _____

DENIED BY: _____
(Initial and Date)

1994 Instructions for Form FTB 3508

Application for Extension of Time to File the Worldwide Affiliation Schedule

General Information

A Purpose of Form

Use form FTB 3508, Application for Extension of Time to File the Worldwide Affiliation Schedule, to request an extension of up to four months to file form FTB 2427, Worldwide Affiliation Schedule.

An extension of time to file form FTB 2427 does not extend the time to pay the tax or to file Form 100, Corporation Franchise or Income Tax Return.

B When and Where to File

File form FTB 3508 on or before the due date (including extensions) of form FTB 2427. Form FTB 2427 is due six months after the due date, including extensions, of the taxpayer's Form 100.

However, if the due date for filing form FTB 2427 falls on a Saturday, Sunday or legal holiday, file form FTB 2427 by the next regular workday.

Send a copy of your completed form to:

Franchise Tax Board
P.O. Box 942857
Sacramento, CA 94257-0500

C Period of Extension

The FTB may grant an extension of time of up to four months to file form FTB 2427 if a timely form FTB 3508 is filed. The extension request must be postmarked no later than the original due date of form FTB 2427.

D Reasons for Extension

Line 2

The application must explain why the Worldwide Affiliation Schedule cannot be filed by the original due date. Describe in detail the reason(s) the extension of time is necessary.

E Signature

The person who signs the form must be either:

- an officer of the corporation; or
- an authorized agent of the corporation.

F Notice of Denial

FTB will notify you only if your extension request is denied. You must file form FTB 2427 by the original due date or within ten (10) days from the date of the denial notice (provided the original application was filed by the due date). Attach a copy of the denied extension to form FTB 2427.

Attach a detailed explanation to the face of form FTB 2427 if your application was denied and you believe reasonable cause exists for filing late.

How to Get California Tax Information

In Person

Addresses of FTB offices are shown below. You can get information and California tax forms, and you can resolve problems involving your corporation account. Our district offices are open Monday through Friday from 8:00 a.m. to 5:00 p.m.

California Offices

Bakersfield	1430 Truxtun Avenue
Burbank	333 North Glenoaks Boulevard
Fresno	2550 Mariposa Street
Long Beach	245 West Broadway
Los Angeles	300 South Spring Street
Oakland	1970 Broadway
Sacramento	8745 Folsom Boulevard
San Bernardino	215 North D Street
San Diego	5353 Mission Center Road
San Francisco	Office to be relocated*
San Jose	96 North Third Street
Santa Ana	600 West Santa Ana Boulevard
Santa Barbara	360 South Hope Avenue
Santa Rosa	50 D Street
Stockton	31 East Channel Street
West Covina	100 North Barranca Street

*For address information, call our F.A.S.T. toll-free phone number at 1-800-338-0505 (enter code 214 after you read the number). For more information about how to use F.A.S.T., see page 10.

Letters

We can serve you quickly if you call us or visit a district office for information to complete your California tax return. However, you may want to write to us if you are replying to a notice we sent you, or to get a reply in writing. If you write to us, be sure to include the California corporation number and your daytime and evening telephone numbers in your letter. Send your letter to:

**Franchise Tax Board
P.O. Box 942857
Sacramento, CA 94257-0540**

We will acknowledge receipt of your letter within six to eight weeks. In some cases, we may need to call you for additional information.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected, so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. You can order FTB Pub. 4058 by writing or calling the FTB using the address listed under "Letters" or telephone numbers listed on the back page of this booklet.

Where to Get Tax Forms

In person – You can get California tax forms at the FTB district offices listed at left. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee.) Note that employees at libraries and quick print businesses cannot provide tax information or assistance.

By phone – For 1994 California tax forms, call our toll-free number listed under "F.A.S.T. Toll-Free Phone Service." For prior year California tax forms, call our toll-free number listed under "Regular Toll-Free Phone Service."

By mail – Use the order blank below to request forms. Print or type your name and address on the lines below. On the back of the order blank, check the boxes for those forms you need. We will send you two copies of each tax form and one copy of each set of instructions you order. Please allow two weeks to receive your order. Address your envelope to:

**Tax Forms Request Unit
Franchise Tax Board
P.O. Box 307
Rancho Cordova, CA 95741-0307**

Tax Forms Request Unit
Franchise Tax Board
P.O. Box 307
Rancho Cordova, CA 95741-0307

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Name

Number and street

City or town, State and ZIP code

FORMS REQUEST
Enter your name and address on this label. It will be used to speed your order for forms to you.



How to Get California Tax Information

F.A.S.T. Toll-Free Phone Service

Fast Answers about State Taxes (F.A.S.T.) is the toll-free phone service you can use to get recorded answers to many of your questions about California taxes. You can also order current year California tax forms.

F.A.S.T. is available in English and Spanish to callers with touch-tone or rotary dial telephones.

When Is F.A.S.T. Available?

To answer your questions, F.A.S.T. is available 24 hours a day, seven days a week. To order forms or to find out about your tax refund, F.A.S.T. is available from 6:00 a.m. to 10:00 p.m., seven days a week, except state holidays.

How To Use F.A.S.T.

Have paper and pencil handy to take notes.

Call the F.A.S.T. toll-free phone number:

From within the United

States 1-800-338-0505

From outside the United

States (not toll-free) 1-916-845-6600

To Order Forms — You can use F.A.S.T. to order forms listed on the order blank below. To order a listed form, press the form's entry code (shown preceding each form on the order blank below) in response to the recorded instructions.

To Get Information — If you need an answer to any of the following questions, enter the correct code after you reach the F.A.S.T. number.

Code — Prefiling Assistance

- 715 — If my actual tax is less than the minimum franchise tax, what figure do I put on line 22 of Form 100?
- 717 — What are the tax rates for corporations?
- 718 — How do I get an extension of time to file?
- 722 — When do I have to file a short-period return?
- 730 — May I claim net operating losses in the first year?

- 731 — Are corporations allowed to use MACRS/ACRS or Section 179 expensing?
- 733 — Can the prepayment to the Secretary of State be applied to my last year of business?
- 734 — What is the difference between franchise tax and income tax?

S Corporations

- 704 — Is an S corporation subject to the minimum franchise tax?
- 705 — Are S corporations required to file estimate payments?
- 706 — What forms do S corporations file?
- 707 — The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 21 of Form 100S?
- 708 — Where do S corporations make the state tax adjustment on Schedule K-1 (100S)?

Exempt Organizations

- 709 — How do I get tax-exempt status?
- 710 — Does an exempt organization have to file Form 199?
- 735 — How can an exempt organization incorporate without paying corporation fees and costs?
- 736 — I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

Minimum Tax and Estimate Tax

- 711 — Why can't I claim my prepayment tax as credit or estimate payment on my return?
- 712 — What is the minimum franchise tax?
- 714 — I'm not doing business; do I have to pay the minimum franchise tax?
- 716 — When are my estimate payments due?

Billings and Miscellaneous Notices

- 713 — Why do I have an additional \$200 adjustment on my corporation return?
- 723 — I received a bill for \$250. What is this for?
- 728 — Why was my corporation suspended?
- 729 — Why is my subsidiary getting a request for a return when we file a combined report?

Tax Clearance

- 724 — How do I dissolve my corporation?

- 725 — What do I have to do to get a tax clearance?
- 726 — How long will it take to get a tax clearance certificate?
- 727 — My corporation was suspended/forfeited. Can I still get a tax clearance?

Miscellaneous

- 700 — Who do I need to contact to start a business?
- 701 — I need a state ID number for my business. Who do I contact?
- 702 — Can you send me an employer's tax guide?
- 703 — How do I incorporate?
- 719 — How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 — How do I change my corporation name?
- 721 — How do I change my accounting period?
- 732 — What is the water's-edge election?
- 737 — Where do I send my payment?
- 738 — What is electronic funds transfer?
- 739 — How do I get a copy of my state corporate tax return?

Regular Toll-Free Phone Service

Our regular toll-free phone service is available from 7:00 a.m. until 8:00 p.m. Monday through Friday from January 3 through April 17, 1995. The best times to call are between 7:00 and 10:00 in the morning and between 6:00 and 8:00 in the evening. Service is also available on Saturdays, April 8 and April 15, from 8:00 a.m. until 5:00 p.m. After April 17, service is available Monday through Friday between 8:00 a.m. and 5:00 p.m.

From within the United

States 1-800-852-5711

From outside the United

States 1-916-845-6500
(not toll-free)

For hearing impaired

with TDD 1-800-822-6268

For federal tax questions, call the IRS at 1-800-829-1040.

To Order 1994 Tax Forms By Mail — Cut along the dotted line and write or type your name and address on the other side. Mail to: **Tax Forms Request Unit, Franchise Tax Board, P.O. Box 307, Rancho Cordova, CA 95741-0307.** Please allow two weeks for a reply.

- ☐ 817 — California Corporation Tax Forms and Instructions. This booklet contains:
 - Form 100, California Corporation Franchise or Income Tax Return
- ☐ 821 — Schedule P (100), Alternative Minimum Tax and Credit Limitations — Corporations
- ☐ 822 — FTB 3885, Depreciation/Amortization
- ☐ 816 — California S Corporation Tax Forms and Instructions. This booklet contains:
 - Form 100S, California S Corporation Franchise or Income Tax Return
- ☐ 823 — Schedule B (100S), S Corporation Depreciation and Amortization
- Schedule C (100S), S Corporation Tax Credits
- Schedule H (100S), Dividend Income
- ☐ 824 — Schedule D (100S), Capital Gains and Losses and Built-In Gains
- ☐ 825 — Schedule K-1 (100S), Shareholder's Share of Income, Deductions, Credits

- ☐ 826 — FTB 3830, S Corporation's List of Shareholders and Consents
- ☐ 807 — FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Corporations
- ☐ 814 — Form 109, Exempt Organization Business Income Tax Return
- ☐ 818 — Form 100-ES, Corporation Estimated Tax
- ☐ 813 — Form 100X, Amended Corporation Return
- ☐ 815 — Form 199, Exempt Organization Return
- ☐ 819 — Schedule R, Apportionment and Allocation of Income
- ☐ 812 — FTB Pub. 1038, Guide for Corporations Dissolving, Withdrawing or Merging
- ☐ 809 — FTB Pub. 1060, Guide for Corporations Starting Business in California
- ☐ 810 — FTB Pub. 1061, Guidelines for Corporations Filing a Combined Report

- ☐ 827 — Form 100-WE, Water's-Edge Booklet
- ☐ 820 — FTB Pub. 1068, Exempt Organizations Requirements for Filing Returns and Paying Filing Fees
- ☐ 802 — FTB 3500, Exemption Application
- ☐ 808 — FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations
- ☐ 803 — FTB 3555, Request for Tax Clearance
- ☐ 804 — FTB 3557, Application for Revivor
- ☐ 811 — FTB 3560, S Corporation Election or Termination/Revocation
- ☐ 806 — FTB 5806, Underpayment of Estimated Tax by Corporations
- ☐ 829 — FTB 2427, Worldwide Affiliation Schedule
- ☐ Other _____